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C O N F I D E N T I A L SECTION 01 OF 02 RIGA 000906

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SUBJECT: THE APPEARANCE OF BOLD ACTION, LOOKING FOR A LATVIAN PM

Classified By: Ambassador Catherine Todd Bailey. Reason: 1.4 (d)

¶1. (C) Summary: The process of forming the next Latvian government took a not entirely unexpected turn on December 12 when President Zatlers decided to consult with potential candidates for Prime Minister from outside the party structure. Although Zatlers seems interested in doing something unexpected and pick a PM from outside politics, we judge it unlikely that he has the political muscle or the stomach for the protracted struggle that would likely be required to secure parliamentary confirmation for such a person. End summary.

¶2. (U) Following the formal resignation of PM Aigars Kalvitis on December 7, President Valdis Zatlers began consultations with three individuals from within the political system, local government minister Edgars Zalans (People's Party), MEP Valdis Dombrovskis (New Era), and interior minister Ivars Godmanis (First Party/Latvia's Way). Godmanis was not formally nominated by his party but given his role as an elder statesmen in Latvia he stayed in the race to "serve if needed." From the start, it seemed that Zatlers favored Dombrovskis, who was leading public opinion polls and would bring New Era into government. Zatlers also announced that he preferred a government that could get the support of all five "center-right" (read, ethnic Latvian) parties in parliament. He met with all the candidates twice, asking them to submit detailed action plans for their governments and goals for the first 100 days.

¶3. (C) In looking at Dombrovskis, Zatlers was swimming against the tide. The current four party coalition was happy to stay together and would add New Era only under their terms. New Era leaders told us that in negotiations with the current coalition, it was made clear that the four parties had enough votes in parliament to pass any legislation even if New Era did not support it. New Era leader in parliament Dzintars Zakis asked rhetorically in a meeting with us, "Why would we take that deal? Be tarred in association with corrupt elements in the current coalition, be blamed for economic problems we did not cause, and be able to be outvoted in the government?"

¶4. (C) Then attention turned to Zalans. Young, relatively fresh (he had served as mayor until moving to the cabinet in November) but from within the People's Party, which still has the plurality of seats in parliament. However, in his maiden press interviews, Zalans did not impress. His answers did not convey gravitas or mastery of issues and his stock fell. Zatlers also had to know that selecting Zalans would only be taken by the media and elites as proof that Zatlers was a tool of the People's Party.

¶5. (C) Godmanis then started to look good. He would easily command the support of the current four parties in the coalition, but being an unofficial candidate it would allow the President to seem more independent. In fact, sources within the coalition had been praising him all along, noting

his experience and previous service as PM. The reason he dropped down, it seemed, was instance from People's Party. One MP from People's Party told us that in a meeting of the party's parliamentary faction on Dec. 5, the majority of MP's agreed that it would be best for People's Party not to put forward the next PM, but Kalvitis came in and told the MP's that they were "weak" and they needed to defend the party.

16. (C) The morning of December 12, Godmanis looked likely to be named that day. Then the President summoned three individuals from outside politics for meetings: former chief of staff to President Vike-Freiberga Martins Bondars, former Ambassador to the US and NATO Aivis Ronis, and head of chamber of commerce Andris Berzins. All three were at pains to say that they were not candidates for the PM post (although Bondars and Ronis had earlier been named to us by journalists and political figures as possible candidates). The President then announced he would consult with the five center-right parties on Dec. 14, after returning from signing the Lisbon treaty, about the possibility of a non-party candidate for PM. Initial public reaction from the political parties to this idea has ranged from lukewarm to cold.

17. (C) Comment: Our assessment is that Zatlers is looking for a way to do something unexpected and demonstrate his independence from the political classes. But we don't believe he has the political acumen or personal fortitude to pull it off. He has limited his options at every turn, saying that he wanted to meet with all the candidates which let the parties decide who those should be, then saying that he favored a five party coalition which strengthened the parties' hands, and then planning to consult only with the five Latvian parties (the same ones he wants in coalition) about a non-political candidate, which meant he took the 23

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votes of the ethnic Russian parties and the three independents off the table. In his attempts to distance himself from the parties, Zatlers has only strengthened them. He has not explored creative ways to get to the 51 votes needed to endorse a new government. If he does name someone from outside politics, or even Dombrovskis, the four parties that make the current coalition could and likely would block, further weakening the President's political standing. Additionally, it seems unlikely that he has plan b, c, and d ready if his first choice were to fail. Yes, he has the ability to call for the dissolution of parliament but we know from his chief of staff that he is reticent to do so because he fears that ethnic Russian parties would do well if new elections were held. Additionally, a dissolution requires a referendum and if the minimum numbers of voters did not participate (very likely in winter) or rejected the dismissal (unlikely) Zatlers himself would be removed from office. To date, Zatlers has not shown the fortitude for that kind of political showdown. Most likely Zatlers will go through the motions of looking for something unexpected, but go with the tried and true. Godmanis seems the most likely choice, but we aren't so sure that we would be willing to stake anything on it.

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